

# FOREIGN POLICY BULLETIN

An analysis of current international events



1918-1948

FOREIGN POLICY ASSOCIATION • INCORPORATED • 22 EAST 38TH STREET • NEW YORK 16, N. Y.

VOL. XXVIII No. 4

NOVEMBER 5, 1948

## Democratic Congress Eases Truman's Task Abroad

WASHINGTON—The unexpected victory of President Harry S. Truman over Governor Thomas E. Dewey in the Presidential election of November 2, coupled with apparent Democratic majorities in the Senate and House of Representatives contests, should enable the United States to act positively on foreign policy without halting between now and inauguration day, January 20. By putting Mr. Truman in a position to recapture personal control over foreign policy from the State Department, the military establishment, and Congress, the victory can lead to modification of the present American course in foreign policy. Inasmuch as Mr. Dewey made campaign capital of Mr. Truman's abortive plan for sending Chief Justice Vinson as his personal emissary to discuss with Stalin the possibility of settling peacefully outstanding differences between America and Russia, the revival of such a plan is not beyond possibility.

### Atlantic Alliance

In analyzing the effect of the election on foreign policy, one should recall that throughout the campaign the United States was negotiating with Canada and selected Western European countries, principally the five signatories of the Brussels pact, for the creation of a regional defense pact within the terms of Article 51 of the United Nations Charter. In the event a mission to Moscow should fail, or the President should decide not to pursue it, the proposed alliance promises to become the cornerstone of foreign policy in 1949. Had Mr. Dewey won the election, the Administration might have hesitated to press for public and congressional support

of the idea of the pact until the eve of the inauguration, but the President now can proceed freely in confidence that he himself will carry out later the policy decisions he makes today. Moreover, he can claim Republican support for the pact, since his Administration opened conversations with the prospective Allies only after the Senate on June 11 passed the resolution, sponsored by Senator Arthur H. Vandenberg, advocating the conclusion of UN regional pacts by the United States.

Hard decisions on questions implicit in the alliance proposal lie ahead for Mr. Truman. He will have to decide, first, whether the United States is to share with its partners our information about the military uses of atomic energy. This might mean radical revision of our atomic energy policy, now based on the assumption that the United States should keep secret its atomic information until the UN adopts a plan for international control acceptable to Washington. A decision to share might make it necessary for this country to withdraw its plan from the UN. The President, moreover, will have to decide whether to recommend reduction of exports under the Marshall plan or reduction of the quantity of consumer products for domestic use made by American industry, in order to make possible the manufacture of arms for members of the alliance. The National Resources Security Board, an agency within the military establishment, has been computing the ability of American industry to fit an arms program into its present schedule of production. If the exigencies of foreign policy respecting the Atlantic pact should call for rationing or price control, Mr.

Truman, by rescuing himself and his party from the limbo to which the forecasters had consigned the Democrats, has gained sufficient strength in his own person to dare suggest these measures. His harsh campaign attacks on the Eightieth Congress included many reminders that it had refused to grant him power during the special session last summer to deal seriously with inflation.

### Problem of China

The election result can also be interpreted as an expression of public approval for Truman's policy with respect to China, which Mr. Dewey was at special pains to criticize during the campaign as ineffective. The disorganization of the Chiang Kai-shek government following the capture of Mukden by the Communists on October 30, however, confronts the re-elected President with the necessity soon of reviewing his own course on China. His decision will be complicated not only by uncertainty whether the United States could fundamentally improve the situation of the Chinese government, but also by the existing official conception of American interest in Japan. In the opinion of various observers Washington's present policy of encouraging Japan's industrial and commercial revival stands in the way of American efforts to improve the economy of China.

Recently the Shanghai newspaper *Shun Pao*, commenting on Japanese recovery, said: "After recovery, Japan would import about 40 per cent of her raw materials from Asia, mainly from China. This country would also become the main market for her finished products. This simply means

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an industrial Japan and an agricultural China, a situation which existed even before the last war." In view of indications by Lt. Gen. Robert L. Eichelberger, former Commander of the Eighth Army in the Japanese occupation in an address on October 21 that the United States regards Japan as its principal military bastion in the Far East, the President would have to weigh the strategic consequences of altering this country's attitude toward Japan to make possible a change in economic policy toward China. As Japan gains in industrial strength, its military usefulness increases. Despite Republican criticism of Truman's China policy, the Administration, through the State Department, last February 28 recommended

the appropriation of \$570 million for economic assistance to the Chinese, but Congress, controlled by the Republican party, reduced this sum to \$275 million.

### **Stress on Peace and Europe**

Whatever revision in our China policy the new difficulties of the Chiang Kai-shek government bring forth, Mr. Truman has nowhere indicated that he favored changing the emphasis he has put on Europe, rather than Asia, as the testing point of power between the United States and the U.S.S.R. He may be expected to continue the policies he inaugurated—the Truman doctrine, the Marshall plan, and the determination to stay in Berlin as symbolized by the Allied air-

lift. In a criticism of United States policy respecting Berlin, Soviet Premier Stalin, through an interview in *Pravda* on October 28 called the United States and Britain "warmongers" on the ground that they had accepted and then dropped an alleged proposed agreement for settling the Berlin issue which Russia put forward during the October meetings of the UN Security Council in Paris. The State Department denied Stalin's allegation. It is probable that the second Truman administration will continue to emphasize Europe, but in his pre-election campaign Mr. Truman stressed a desire for peace that might bring some moderation of Washington's approach to Russia.

BLAIR BOLLES

## ***Mutual Aid Under ERP Gains Momentum***

During the first six months of the Marshall plan Western Europe has experienced substantial economic recovery. Although several disquieting factors must be taken into account in appraising the record and the outlook, the over-all picture shows a growing volume of production and trade. Without American aid, Western Europe would undoubtedly have undergone a vicious downward spiral of economic activity. To effect a permanent revival of European economy, however, every effort must be made to encourage self-help and mutual aid. Nothing less than thorough reconstruction and integration of hitherto competing national economies is required to make each participant self-supporting at a reasonably adequate standard of living.

### **OEEC As Planning Agency**

Acting through the Organization for European Economic Cooperation (OEEC), which was set up in Paris April 16 to formulate a joint recovery program, the sixteen participating nations and the Allied occupation authorities in Western Germany have completed an exhaustive study of the needs and resources of each member for the year ending June 30, 1949. The OEEC, charged by its American counterpart the Economic Cooperation Administration (ECA) with the responsibility of allocating American aid, has become a regional planning authority.

The findings and recommendations of the OEEC are set forth in a report published on October 16. This report estimates that Western Europe's dollar deficit on all accounts will be reduced by \$2.863 billion, from June 1948 to June 1949, com-

pared with the calendar year 1947. A cut of \$1.7 billion in imports from dollar areas is the major item in the deficit reduction; the balance is accounted for by a decline in outlays for shipping and other services, with only minor gains in dollar revenues through increased exports. The fall in dollar imports, however, is the result primarily of increased purchases in other areas—e.g., sterling area members and overseas territories—rather than expanded production within Western Europe. There will be considerable gains in domestic output by the middle of 1949 but, as before 1939, Western Europe must continue to import a large volume of food and raw materials that cannot be produced locally. Moreover, Western Europe does not have sufficient resources to finance both rearmament and reconstruction. Consequently, the sums voted for foreign aid next year will have to be considerably larger than in the past if the West is to arm itself against possible aggression by the U.S.S.R.

### **Promoting Mutual Aid**

The most important feature of the OEEC plan for the remainder of the year ending June 30, 1949 is a payments agreement which was formally approved on October 16. Under this agreement members undertake to increase mutual assistance among themselves. Western Europe as a whole is a debtor on current account in its trade with the dollar area; at the same time, some countries within the ERP are net debtors to others. Stated differently, all Marshall plan members lack dollar exchange, but some are also short of such relatively soft currencies as sterling and

the Belgian franc. In recent months, shortages of the soft currencies have had an increasingly crippling effect on intra-European trade. Given the over-all lack of food and raw materials, the capacity of Western Europe to promote mutual assistance is necessarily limited. Exports tend to be directed to those areas which pay in dollars, while trade within Europe becomes more and more a matter of a strict bilateral balancing of exports and imports—a contracting process. Now that imports of food and raw materials have increased under the Marshall plan, OEEC members are in a stronger position to help one another. This is the aim of the new payments pact. Special funds in European currencies equivalent to \$564.7 million have been created and, in addition, drawing against existing balances in intra-European accounts equivalent to \$228.8 million will be permitted. These funds will enable debtors to increase their imports from Europe.

The largest contribution to the project will be made by Britain, which has agreed to give other ERP members goods valued at \$282 million. At the same time, sterling balances equivalent to \$209 million will be released. These sums will be expended by June 1949, and are mainly for the purpose of financing the surplus import of ERP members from the sterling area. Actually, however, the burden of the grants and drawing rights will fall largely on the British colonies and other sterling area countries, rather than on the economy of Britain proper. In a White Paper published on October 21, it is noted that \$370 million of the \$491 million sterling deficit

of Europe arises from trade deficits with overseas British territories.

### **Long-Range ERP Planning**

If Europe is to become self-supporting by 1952, continued substantial gains in production, investment and exports are necessary. Accordingly, the OEEC has prepared elaborate long-range development programs. The agency's council will shortly attempt to co-ordinate these programs, and to devise a comprehensive four-year trade and production pattern for all of Western Europe. The British, French and Benelux long-term plans, which were made public at the end of October, reveal projects for sizeable increases in the rate of new investment in many industries, with major adjustments in foreign trade also scheduled. If self-help is measured by the curtailment

of consumption (both in absolute and relative terms) to accelerate capital formation (i.e., addition of new productive capacity), then the goals set in these plans may prove unrealistic. For example, Lord Catto, on the eve of his retirement as Governor of the Bank of England on October 19, warned that Britain's ambitious capital investment programs were "still running at a rate in excess of our available resources" and might therefore bring further inflation.

An inflationary rise of prices is, in fact, forced saving, which often entails larger sacrifices by those least able to reduce their consumption. Economists have all along recognized that, while capital formation is indispensable to economic progress, the rate at which new productive

facilities can be added is subject to definite limitations. Foreign assistance lessens the required cut in consumption; but unless the aid is exceptionally large, lower targets for new investment may be advisable. In brief, even with the aid given under the Marshall plan, the pace of European reconstruction may have to be slower than is now contemplated. This is all the more likely if the projected annual cuts in American aid are not fully offset by increased productive capacity financed by noninflationary means. Monetary and financial stability is a prerequisite for a successful recovery program.

HAROLD H. HUTCHESON

(*Mr. Hutcheson, former economist of the FPA, is now teaching economics at Virginia Military Institute, Lexington, Virginia.*)

## **French Demands For Elections Grow As Strikes Wane**

The decision of the French non-Communist unions on October 29 to order their members back into the pits, and the government's success in taking over the mines by military action after the CGT (Communist-led General Confederation of Labor) had withdrawn safety and maintenance crews on October 18—thus threatening to put the mines out of commission—have brought the worst phases of the month-old strike to an end. Meanwhile, troops and non-Communist union dockers and railroad workers are moving imported coal at major ports and through Belgium. Nevertheless, the strike against France's nationalized coal industry has proved exceedingly costly to virtually all parties concerned.

### **Everyone Loses**

Although the miners have received a 15 per cent wage boost and various special benefits, these will scarcely compensate for the pay loss over the strike period plus the rise in prices which may be attributed to some extent to the strike itself. Moreover, morale among the workers has been weakened, not only as a result of weariness with continual strife, but also because the abandonment of security measures raised the spectre of unemployment should the mines be flooded and, as time passed, the political objectives of the strike became more and more obvious.

It is thought that the CGT has lost support not only in the population at large, but even among many of the miners. The strike, however, has cost the French economy some four million tons of coal, thus

further burdening the recovery effort and weakening the already shaky Third Force coalition government.

The political objectives of the strike were the subject of acute controversy as the Socialist Interior Minister Jules Moch charged on October 10 that the Communist party was taking orders from the Cominform to disrupt the French economy and prevent military preparations which might be used against Russia, and Premier Queuille denounced the use of the strike weapon to bring pressure on the country's foreign policy. Communist spokesmen attacked these charges as "a package of lies," stressed the legitimate economic grievances of the workers, but went on to assail the Marshall plan and the Western European defense pact. Nevertheless, on October 24 *L'Humanité*, Communist party newspaper, admitted that the coal strike had been called not only because of the miners' hardships, but also as part of the struggle against French participation in a program which could be turned against the Soviet Union.

### **Government's Difficulties**

The government, in facing this crisis, has been placed in an exceedingly precarious position. Failure to stop the work stoppage which has already necessitated considerable diversion of American aid funds from raw materials to coal could have quickly brought about complete collapse of the recovery effort. The use of violence against the strikers might have precipitated a general sympathy strike and would not in itself have restored produc-

tion. Further pay increases would have augmented the inflationary spiral, thus endangering the recently balanced budget, regarded as a precondition of continued American aid, without at the same time actually raising the real income of the miners. Under these circumstances the abandonment of security measures by the CGT and the increasingly obvious political character of the strike created a situation in which the workers themselves were increasingly willing to abandon the strike.

Meanwhile, de Gaulle's RPF continued its attacks on the government and its call for new elections. Although this group had received only 13.1 per cent of the vote in the October 18 indirect elections, which are a prelude to the November 7 choice of the upper chamber of Parliament, the Council of the Republic, a recent poll by the French Institute of Public Opinion gives de Gaulle a popular score of about 30 per cent. The same poll found that, whereas in July only 29 per cent of the electorate wanted new elections, by late October the number had risen to 51 per cent. The Third Force leaders, however, are unwilling to resort to this expedient which would not only be likely to deprive them of power, but would also throw the country into the hands of an authoritarian party, probably leading to civil violence. Yet continuance in power of an uneasy coalition which appears to enjoy the support of only a minority of the people further aggravates the crisis of confidence and responsibility that lies at the root of France's difficulties.

FRED W. RIGGS

## Branch & Affiliate Meetings

NEW YORK, November 6, *Germany: Symbol of Conflict*, Carl J. Friedrich, Sam Welles

BALTIMORE, November 8, *Change or Continuation: A Challenge to New Leadership*, James P. Warburg

SHREVEPORT, November 8, *U.S. Foreign Policy*, George Fielding Eliot

CLEVELAND, November 9, *The Role of the Military in Peacetime Diplomacy*, Hanson Baldwin

WORCESTER, November 9, *United Nations vs. World Federalism*, Pennington Haile, George Holt

PROVIDENCE, November 10, *Eastern Asia—1948*, Ruth Woodsmall

NEW ORLEANS, November 16, *Union of the Democracies*, Clarence Streit

PHILADELPHIA, November 16, *How Long Can Two Ideologies Live in One World?*, Vera M. Dean, Joseph Barnes

HARTFORD, November 17, *Military Aid to Western Europe?*, Senator Ralph Flanders

PITTSBURGH, November 18, *The United States and Russia*, Hanson Baldwin

SHREVEPORT, November 18, *Forum Discussion on American Foreign Policy*

DETROIT, November 19, *Is Berlin Essential to the Democracy of Western Europe?*, Dr. Marshall Knappen, and a panel of four

## F.P.A. Bookshelf

*The Manchurian Crisis, 1931-1932: A Tragedy in International Relations*, by Sara R. Smith. New York, Columbia University, 1948. \$3.75

An analysis of the events leading to the start of the Manchurian crisis, based on official documents. The positions then taken by the countries involved in that crisis explain some of the basic problems in the Far East today.

*Yearbook on Human Rights for 1948*, Human Rights Division of the Department of Social Affairs, United Nations Secretariat. New York, Columbia University, 1948. \$5.00

A compilation of all declarations and bills on human rights in effect on December 31, 1946. It includes material from 73 nations—extracts from constitutions and other legislation or statements on human rights by eminent authorities in the case of countries without written constitutions. Thus, pertinent mention is made of everything from the Magna Carta and the U.S. constitution to the constitution of the U.S.S.R.

*Road to Survival*, by William Vogt. New York, William Sloane Associates, 1948. \$4.00

A readable, vigorous warning that world population is outstripping food production while erosion washes away present and future resources. The author pleads for sound conservation measures on a global scale to halt the "ecological fifth column" of ignorance and greed.

*Ordeal by Planning*, by John Jewkes. New York, Macmillan, 1948. \$3.75

A University of Manchester economist takes issue with the planners in the British Labor government. A statement of the anti-Socialist case by one who supports the traditional English belief in free trade, both at home and abroad.

*Palestine: Land of Israel*, Introduction by Pierre van Paassen. Photographs by Herbert S. Sonnenfeld. Chicago, Ziff-Davis, 1948. \$5.00

The vigorous and inspiring story of the pioneers who have transformed the Land of Israel from desolate barrenness to rich fertility is reviewed in the introduction and dramatically portrayed in this volume of 150 superb photographs.

*Everyman Looks Forward*, by L. L. Whyte. New York, Holt, 1948. \$2.00

The author of *The Next Development in Man* elaborates the thesis that "the source of the aggressive distortions of human nature lies in fear." Relying upon the development of scientific knowledge of man's own nature to overcome fear, the author looks forward to the evolution of a "balanced and comprehensive world order" within which full assistance would be granted to the Soviet Union.

*The New Congo*, by Tom Marvel. New York, Duell, Sloan and Pearce, 1948. \$5.00

This study describes the transition of the old to the new Congo and the colony's place in the modern world.

*A History of Portugal*, by H. V. Livermore. New York, Macmillan, 1947. \$10.00

This painstaking history by a British scholar fills a long-felt need for a new account, in English, of the rise of Portugal to nationhood and its struggles to preserve independence. A brief chapter on the Republic and Salazar's new state brings the history up to 1940.

*The Fall of Mussolini*, by Benito Mussolini. Edited and with a preface by Max Ascoli. New York, Farrar, Straus, 1948. \$3.00

Mussolini's own story, originally published in Italy under the title *History of a Year*, gives his version of Italy's defeat and of his fall from power. This self-portrayal reveals both the seamy side of fascism and *Il Duce's* confused state of mind when his dreams of glory had to stand the test of war realities. Dr. Ascoli's brilliant introductory essay etches in acid terms not only the character of Mussolini, but also that of Italian pro-Fascists, the King, and those in the United States and Britain who had been impressed by fascism.

*The Spanish Story*, by Herbert Feis. New York, Knopf, 1948. \$3.50

A detailed account of economic warfare in Franco's Spain between the UN and the Axis powers, containing much new information, by a former adviser on international economic affairs in the State Department.

## News in the Making

The bill for nationalization of over 90 per cent of Britain's basic iron and steel production—107 concerns employing 300,000 workers—was introduced on October 27 by the Labor government, which hopes to get it passed by both houses of Parliament before the general elections of 1950. This bill is expected to create the greatest internal controversy in Britain since Labor took the helm in 1945. The Conservatives have warned that, if the measure is passed, they will consider themselves free to repeal it when they come back to power. . . . The *London Economist*, respected throughout the world for its objectivity, doubts that the British Conservatives can regain the position they lost in 1945 short of another war, a breakdown in the nation's economy, or "capture of the reins of government" by the left-wing group of the Labor party. The Conservative party, to regain power, said *The Economist* on October 16, "must show that it is not the party of big business, of landowners, or even of the middle-class." . . . In the wake of the visit paid to Greece by Secretary of State Marshall who, it is reported, declined to approve increase of the Greek Army by 30,000 men, the Sophoulis government on October 29 declared martial law to facilitate suppression of guerrilla forces and other opposition elements. Sophocles Venizelos, deputy leader of the Liberal party, pressed for reshuffle of the government, and inclusion in the cabinet of nonpolitical, as well as political, leaders. . . . The *UN Food and Agricultural Organization* will hold its fourth annual conference in Washington beginning November 15 to discuss, among other subjects, plans for making increased food production "truly international." . . . An army coup which deposed the government of President Luis Bustamante on October 29 marks completion of Peru's progress toward the Right during the past two years. The new military junta is headed by General Manuel Odria, who was dropped as Minister of the Interior last June. It has announced its intention to call popular elections, in which, however, the leftist Apra party will probably not be allowed to participate.

FOREIGN POLICY BULLETIN. Vol. XXVIII, No. 4, NOVEMBER 5, 1948. Published weekly from September through May inclusive and biweekly during June, July and August by the Foreign Policy Association, Incorporated. National Headquarters, 22 East 38th Street, New York 16, N. Y. BROOKS EMERY, President; HELEN M. DAGGETT, Secretary; VERA MICHELES DEAN, Editor. Re-entered as second-class matter June 4, 1948, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Four Dollars a Year. Please allow at least one month for change of address on membership publications.

F. P. A. Membership (which includes the Bulletin), Six Dollars a Year.  
Produced under union conditions and composed and printed by union labor.